

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 DODE-00 PA-01 PRS-01 ( ISO ) W

----- 110392

R 191713Z DEC 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7579

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: ETRD, UK

SUBJECT: UK COST ESCALATION COVER SCHEME

REF: STATE 296380 (NOTAL)

1. EMBASSY RAISED QUESTION OF CHANGES IN UK EXPORT  
COST ESCALATION INSURANCE SCHEME DURING AMBASSADOR  
WALKER'S MEETINGS DECEMBER 18 WITH TRADE MINISTER  
PETER SHORE, PERMANENT SECRETARY PETER THORNTON AND  
DEPUTY SECRETARY ROBIN GRAY, INQUIRING AS TO CONTENT OF  
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CHANGES SHORE WAS TO ANNOUNCE THAT AFTERNOON AND EXPRESS-

ING CONCERN IF SCHEME WAS TO BE EXPANDED. WE TOLD SHORE WE THOUGHT EFFORTS SHOULD BE DIRECTED TOWARD GETTING RID OF SUCH SCHEMES TO EXTENT THEY INVOLVE SUBSIDY RATHER THAN EXPANDING THEM.

2. SHORE AND OTHER RESPONDENTS TOOK THE LINE THAT SCHEME IS NECESSITATED BY HIGH LEVEL OF INFLATION IN UK, MUCH HIGHER THAN LEVEL IN COMPETITOR COUNTRIES, AND BY FRENCH OPERATIONS OF SIMILAR SCHEME, WHICH THEY SAID, UNLIKE UK'S, IS NOT TEMPORARY; CHANGES ANNOUNCED DECEMBER 18 WERE NOT EXPANSION OF SCHEME BUT IMPROVEMENT WITH INTENT TO MAKE IT MORE WORKABLE AND RESPONSIVE TO NEEDS OF U.K. EXPORTERS.

3. THORNTON ADDED TO THE ABOVE THAT SCHEME WOULD BE SELF-FINANCING AND SHOULD SHOW A SMALL SURPLUS. HOWEVER, WHEN WE INDICATED SKEPTICISM ON THIS POINT AT SUBSEQUENT MEETING WITH OTHER CIVIL SERVANTS, NONE OF THOSE PRESENT SUPPORTED THIS CONTENTION BEYOND SAYING THAT IF INFLATION SHOULD FALL MORE RAPIDLY THAN INSURERS ANTICIPATE, FEES COULD MORE THAN BALANCE PAYMENTS, IN WHICH CASE SCHEME COULD NOT BE CONSIDERED SUBSIDY. WE SAID THIS SEEMS EXTREMELY UNLIKELY.

4. YESTERDAYS ANNOUNCEMENT REPORTED SEPTEL.

RICHARDSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC PROGRAMS, CONTRACTS, SUBSIDIES, DIPLOMATIC DISCUSSIONS, EXPORTERS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 DEC 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** SmithRJ  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975LONDON19531  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** UPGRADED TO CONFIDENTIAL PER 8/22/78 MEMO FROM EB/ITP - WILLIAM BARRACLOUGH  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750442-0776  
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**Handling Restrictions:** n/a  
**Image Path:**  
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**Line Count:** 88  
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**Office:** ACTION EB  
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**Reference:** 75 STATE 296380  
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**Review Authority:** SmithRJ  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** UK COST ESCALATION COVER SCHEME  
**TAGS:** ETRD, UK, (THORNTON, PETER), (GRAY, ROBIN)  
**To:** STATE  
**Type:** TE  
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